

RESOLUTION CONCERNING BUDGET PROCEDURES OF THE
METROPOLITAN DISTRICT COMMISSION

WHEREAS, The Metropolitan District Commission ("MDC") is a non-profit municipal corporation which was chartered by the Connecticut General Assembly in 1929 to provide potable water and sanitary sewage services on a regional basis, and

WHEREAS, the authority of MDC to operate is still derived from State law, including its charter which is published as the "Compiled Charter of The Metropolitan District" and which is revised from time to time (the "Charter"); and

WHEREAS, the MDC implements aspects of its authority through the adoption and implementation of ordinances; and

WHEREAS, the MDC is currently comprised of eight member municipalities, including the Town of West Hartford, the City of Hartford and the towns of Bloomfield, East Hartford, Newington, Rocky Hill, Wethersfield and Windsor; and

WHEREAS, the MDC also provides its services to a number of other non-member municipalities on a contractual basis; and

WHEREAS, the MDC generates revenue to fund its water services from the sale of that water to individual users, but finances the provision of sanitary sewer services through the imposition of an ad valorem tax levied directly upon the eight member municipalities; and

WHEREAS, the MDC is required to adopt a three-part annual calendar-year budget pursuant to Charter Chapter 3 which includes the fixed charges and expenses (including a contingency fund) to operate the sanitary sewer system as well as offsetting ad valorem tax revenues to cover them pursuant to Charter Section 3-4; and

WHEREAS, this ad valorem tax system effectively makes each member municipality the collection agent for the MDC by requiring those municipalities to pass through the MDC's ad valorem tax to their local taxpayers; and

WHEREAS, pursuant to Charter Section 3-13, if a member town defaults on its ad valorem tax payment obligation, the MDC has the authority to execute against the goods and estate of the inhabitants of such defaulting member town but such procedures may take time during which the MDC must continue to operate, and

WHEREAS, the City of Hartford currently faces extraordinary fiscal challenges and has put the MDC on notice that it may not be able to make all of its ad valorem tax payments to the MDC in fiscal year 2017 on a timely basis; and

WHEREAS, the City of Hartford is responsible for roughly 26% of the ad valorem tax imposed upon the 8 member municipalities by the MDC annually; and

WHEREAS, in response to the possibility of default by the City of Hartford, the MDC ultimately adopted a calendar year 2017 budget which included an additional ad valorem tax levy to be imposed upon the member towns if, and only to the extent that a member municipality fails to make its ad valorem tax payments; and

WHEREAS, West Hartford's resulting additional ad valorem payment to the MDC could be as much as \$1,777,000 for calendar year 2017; and

WHEREAS, by the time the MDC reacted to Hartford's serious financial concerns it was late in the annual budget-making process and its proposed resolution was dictated, in part, by the need to satisfy concerns of third parties associated with a much-needed bond issue which also happened to be scheduled for the beginning of December, 2016; and

WHEREAS, the legal authority of the MDC to impose the additional tax levy has been questioned, but the Town of West Hartford recognizes the importance of that levy to the MDC in managing its credit rating and refinancing its debt; and

WHEREAS, the limitations contained within the Charter prevented the consideration of alternatives by which this additional ad valorem tax levy might have been avoided

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF WEST HARTFORD THAT the Town Council hereby expresses its concerns that:

1. The additional levy imposed by the MDC in its 2017 budget demonstrates a fundamental flaw in the way the MDC's sewer services are funded;
2. Hartford's financial distress has been public knowledge for some months but the MDC did not undertake the planning needed to address the potential impacts of those problems on its 2017 budget or upon its bond issue until far too late;
3. The additional levy adopted for 2017 should not become an annual mechanism, but should be viewed as a one-time solution to a sudden and unanticipated problem which the member municipalities agreed to participate in because of the serious and detrimental consequences inherent in the alternatives and;

BE IT FURTHER RESOLVED THAT the Town Council urges the MDC to undertake a more comprehensive and proactive budget process in future years; and

BE IT FURTHER RESOLVED THAT the MDC should work with its member municipalities as well as the Connecticut General Assembly to identify potential Charter revisions which would address the structural deficiencies in the manner by which the MDC funds sewer services, including, but not limited to:

1. Revising or replacing the ad valorem tax mechanism used to fund sanitary sewer operations at the MDC with a user-fee based system similar to that which is used to fund the provision of water services;

2. Allowance for MDC to undertake borrowing if a municipality defaults on any of its ad valorem payments which would permit it to withstand short-term revenue losses through the next budget cycle;
3. Clarification and enhancement of MDC's collection powers in the event of a failure by a member municipality to pay its ad valorem tax levy

BE IT FURTHER RESOLVED THAT this Resolution be communicated to the MDC and the governing body of the member towns (Bloomfield, East Hartford, Hartford, Newington, Rocky Hill, Wethersfield, and Windsor).

Van Winkle
1/24/17